

Message Text

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FOR ENDERS AND JULIUS KATZ

FOLLOWING REPEAT EC BRUSSELS 5851 ACTION SECSTATE INFO ALL EC CAPS
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QUOTE

LIMITED OFFICIAL USE EC BRUSSELS 05851

E.O. 11652: N/A

TAGS: ENRG, EEC

SUBJECT: EC COMMISSION VIEW OF ENERGY COUNCIL MEETING

REF EC BRUSSELS 5357

1. SUMMARY. BRONDEL WAS DISAPPOINTED IN THE EC ENERGY COUNCIL WHICH HE SAID RESULTED IN NO REAL DISCUSSION OF THE IMPORTANT ISSUES. HE REITERATED THE COMMISSION POSITION THAT SPECIFIC ACTIONS TO PROMOTE ALTERNATIVE ENERGY SOURCES SHOULD HAVE PRIORITY AND THAT A MINIMUM SAFEGUARD PRICE CAN BE PUT OFF UNTIL LATER. IN THE COMMISSION VIEW, EARLY RESUMPTION OF THE CONSUMER/PRODUCER DIALOGUE IS ESSENTIAL; THE IMPORTANT PRODUCERS RECOGNIZE THAT STABILITY IN PETROLEUM MARKETING IS TO THEIR ADVANTAGE. END SUMMARY.

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2. MISSION CONTACTED BRONDEL, EC COMMISSION DIRECTOR FOR HYDROCARBONS, FOLLOWING THE JUNE 26 EC ENERGY COUNCIL (REFTEL) TO HEAR HIS JUDGEMENT ON THE OUTCOME OF THE MEETING AND TO REVIEW ENERGY ISSUES ON THE EVE OF THE JUNE 30/

JULY 1 IEA GOVERNING BOARD MEETING. BRONDEL CONFIRMED THAT THE EC COUNCIL ON ENERGY JUNE 26 (SEE SEPTTEL) HAD BEEN A DISAPPOINTMENT. ALL MINISTERS HAD SIMPLY GONE OVER THEIR ALREADY-KNOWN POSITIONS AND THERE WAS NO DIALOGUE. HE FOUND THIS UNFORTUNATE BECAUSE THE EC SHOULD BEGIN TO MOVE TOWARD A COMMON ENERGY POLICY.

3. ON THE QUESTION OF THE MINIMUM SAFEGUARD PRICE (MSP) BRONDEL REITERATED THE COMMUNITY POSITION AS OUTLINED IN THEIR PAPERS: PRIORITY SHOULD BE GIVEN TO INSTITUTING SPECIFIC MEASURES TO ENCOURAGE THE DEVELOPMENT OF ALTERNATIVE SOURCES, WITH THE MSP TO BE APPLIED LATER IF NEEDED. HE ASSERTED THERE WAS A DIFFERENCE IN THE SITUATIONS IN EUROPE AND THE US; IN THE US A HIGH PERCENTAGE OF PETROLEUM IS CONVERTED TO GASOLINE AND DIESEL OIL, WHEREAS IN EUROPE, ALMOST FIFTY PERCENT IS USED TO GENERATE ELECTRICITY. AS EUROPEAN EFFORTS TO REDUCE DEPENDENCE ON OIL IMPORTS BEAR FRUIT, EUROPE WILL HAVE A PRODUCT MIX MUCH CLOSER TO OURS, BUT THIS WILL NOT BE UNTIL ABOUT 1985. THE IMPLICATION OF THIS SITUATION IS THAT AT PRESENT FOR THE US BY FAR THE MOST IMPORTANT ALTERNATIVE IS NEW SOURCES OF PETROLEUM OUTSIDE THE MIDDLE EAST. THEREFORE, AN MSP MAKES SOME SENSE AS A DEVICE FOR ENCOURAGING OIL EXPLORATION NOW. IN EUROPE, HOWEVER, WHERE THE PLANNED CONVERSION TO NUCLEAR POWER TO GENERATE ELECTRICITY CAN BE FOSTERED WITHOUT RECOURSE TO AN MSP, THERE IS LITTLE ENTHUSIASM FOR THE MSP AS A PRACTICAL, NEAR-TERM MEASURE.

4. BRONDEL OBSERVED THAT THINKING ABOUT THE MSP WAS EVOLVING. AS ORIGINALLY CONCEIVED BY THE US, THE MSP WAS TO BE IMMEDIATELY APPLIED. IN EUROPEAN EYES MSP HAS BECOME A CONCEPT TO BE TRANSLATED INTO ACTION LATER. HE ACKNOWLEDGED, HOWEVER, THAT EVEN IN EUROPE THERE SHOULD BE AGREEMENT SOON ON THE CONCEPT, BUT THAT NO EFFORT SHOULD BE MADE TO ESTABLISH A LEVEL AT THIS TIME. (COMMENT: WE STRESSED THE NEED TO PUT A SAFEGUARD SCHEME IN PLACE AS SOON AS POSSIBLE IN ORDER TO INFLUENCE INVESTMENTS THAT WOULD TAKE PLACE NOW BUT NOT PRODUCE ENERGY UNTIL THE 1980S. BRONDEL BELIEVED AN AGREEMENT IN PRINCIPLE ON MSP NOW, LIMITED OFFICIAL USE
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PLUS SPECIFIC MEASURES, WOULD SUFFICE. END COMMENT.)

5. BRONDEL NOTED THAT ANOTHER DIFFERENCE BETWEEN THE SITUATION IN THE US AND EUROPE WAS THAT US DOMESTIC OIL PRODUCTION HAD BEEN PROTECTED ALL ALONG, AND POTENTIAL US INVESTORS COULD BE CONFIDENT THAT US POLICY WOULD CONTINUE TO GUARANTEE THEM A FAIR RETURN. THIS WAS NOT THE CASE IN EUROPE. BRONDEL SAW THIS AS AN ADDITIONAL ARGUMENT FOR HEAVY RELIANCE ON SPECIFIC MEASURES.

6. BRONDEL SAID HE BELIEVED US OFFICIALS SOMEWHAT UNDER-ESTIMATED EUROPEAN RESISTANCE TO THE MSP. FOR EXAMPLE, HE FEARED THAT WHEN IN IEA MEETINGS ONLY ONE OR TWO COUNTRIES

EXPRESSED RESERVATIONS, THE US ASSUMED THE OTHER HAD NONE, WHEN IN FACT HE BELIEVED THAT THEIR SILENCE ONLY CONNOTED AGREEMENT WITH THE RESERVATIONS EXPRESSED BY OTHERS. BRONDEL CONFIRMED THAT AMONG COMMUNITY COUNTRIES ITALY HELD THE MOST NEGATIVE VIEW OF THE MSP. THEY BELIEVE (OR FOR INFORMAL POLITICAL REASONS, PROFESS TO BELIEVE) THAT THE PRICE WILL FALL AND THEY WANT TO TAKE MAXIMUM ADVANTAGE OF THE DROP.

7. BRONDEL REPEATED COMMISSION VIEW THAT THE IEA WOULD BE A MORE EFFECTIVE BODY IF THE COMMUNITY COULD DEVELOP A COMMON ENERGY POLICY WHICH IT WOULD PRESENT WITH ONE VOICE IN THE IEA. IDEALLY, BRONDEL ENVISAGES A TRILATERAL ENERGY POLICY ARRANGEMENT BETWEEN THE US, THE COMMUNITY AND THE JAPANESE. AT PRESENT, HE SAID, THE US BRING WELL-DEFINED POSITIONS TO THE IEA WHICH ARE MET BY 17 DIFFERENT AND LESS WELL-DEFINED VIEWS.

8. THE ATTITUDE OF THE FRENCH IN EC ENERGY MATTERS WAS BETTER THAN APPEARS. THE FRENCH, OF COURSE, ARE THE GREATEST PROPONENTS OF THE CONSUMER/PRODUCER DIALOGUE. FRENCH VIEWS ON THE MSP WERE NOT FAR FROM THOSE OF COMMISSION AND SEVERAL OF THE OTHER MEMBER STATES. THE ONLY REAL PROBLEM WAS THE QUESTION OF EMERGENCY MEASURES WHICH THE FRENCH CONTINUE TO STRONGLY OPPOSE (SEE SEPTEL ON THE POSITION THEY TOOK IN THE ENERGY COUNCIL ON JUNE 26).

9. BRONDEL STRONGLY FAVORS THE EARLY RESUMPTION OF THE PRODUCER/CONSUMER DIALOGUE. HE RECOGNIZES FULLY, HOWEVER, THAT INTENSIVE BILATERAL CONTACTS WILL HAVE TO TAKE PLACE
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TO INSURE THE SUCCESS OF ANY NEW PREPCON. HE IS OPTIMISTIC OVER THE EVENTUAL OUTCOME OF A DIALOGUE. HE BELIEVES THAT THE PRINCIPAL OPEC COUNTRIES, SPECIFICALLY SAUDI ARABIA AND IRAN, RECOGNIZE THE IMPORTANCE TO THEIR ECONOMIC DEVELOPMENT OF ORDER IN PETROLEUM MARKETS. HE SAID HE HOPED THE FRENCH MIGHT BE ABLE TO PLAY A ROLE IN BRINGING THE ALGERIANS AROUND TO THIS VIEW.
GREENWALD

UNQUOTE. INGERSOLL

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